

Nutrient Trading Program Notes
October 20, 2015 Meeting
10:00 AM – 12:45 PM

Agenda

1. Introductions
2. Ground Rules
3. Group Goal Statement
4. Changes to notes from last meeting?
5. Trading Program examples
6. Monitoring
7. Enforcement
8. Regulatory Instruments
9. Guidance for/questions from sub-groups
10. Summary of today's meeting
11. Future meetings
12. Closing

Ground Rules for Discussion and Approval

1. We will operate according to informed consent. This requires understanding. These require patience and cooperation.
2. We must agree on common goals, language and tenets to make clear recommendations.
3. Where no common agreement occurs, we must reflect the diversity of opinion in our report to the commission.
4. All discussions will be civil and constructive.
5. We need a breadth of expertise and opinions to create the best framework possible.
6. We will allow those with the best information to inform us while respecting differences in opinion.
7. We will be transparent and welcoming.
8. We will work through the factors that will form the framework in an orderly fashion recognizing that we may have to revisit some or all of them at the end to ensure the final recommendations are both robust and supported on the basis of informed consent.
9. The facilitator accepts responsibility for ensuring that these rules are followed.

(No changes were made in the ground rules from the last meeting.)

The group asked the department to create a broader Goals Statement that supported water quality trading. The department offers the following as a draft for consideration

The department and those stakeholders participating in this work group strongly support the establishment of water quality trading in Missouri as one of the tools to help meet watershed and state-wide water quality goals. For water quality trading to occur, we agree to create a framework that is effective, efficient and equitable for all those who wish to form a water quality

trading program and to buy and sell within a trading program. The state should seek to form a common infrastructure to support trading programs in order to keep these costs to a minimum. Trading programs will function best when adapted to and driven by local water quality conditions and specific water quality goals. Integrating water quality trading into watershed planning provides a straightforward way to ensure that water quality trading provides both economic and water quality benefits.

This framework will be presented to the Clean Water Commission for its review and to allow public comment. Once edited based on the comments received and responses from the work group members and approved by the Commission, the framework will define the basic elements of a water quality trading program and the considerations to be addressed in applying to establish such a program. Proposals to operate a water quality trading program will go before the Clean Water Commission and be subject to public comment and departmental review before approval. The group supports piloting a few water quality trading programs and then revisiting the framework before formalizing the required program elements.

The following version reflects the edits suggested at the meeting.

The department and those stakeholders participating in this work group support the establishment of a voluntary water quality trading framework for Missouri as one of the tools to help meet watershed and state-wide water quality goals. For water quality trading to occur, we need a framework that supports trading programs that are effective, efficient, and equitable for all those who wish to form a program or to buy or sell credits within a program.

A trading program will function best when adapted to and driven by local water quality conditions and specific water quality goals. Integrating water quality trading into watershed-based management provides a straightforward way to ensure water quality trading provides applicants the opportunity to meet water quality requirements in an economic way. The state should seek to form a common infrastructure to support water quality trading programs in order to keep costs of establishing and operating such programs to a minimum.

The goal of this group is to provide a framework for water quality trading programs in Missouri. This will take the form of a document that will explain to any organization that seeks to establish a trading program the key elements expected to be included in its proposal to the Clean Water Commission.

The summary of last month's meeting will be reviewed at the next meeting since that summary was posted too late for many to review.

Other Trading Programs

John Madras provided some details of the Connecticut Long Island Sound trading program that was driven by the goal of reducing nitrogen delivery to the Sound by 69%. This loading is driven by point sources with much lower contributions from stormwater and agriculture. The program uses a distance-based attenuation factor ranging from 1 to 0.18. The state used funds to

incentivize action with the state holding the credits earned for trading or retirement, The program started in 2000 with the total invested being \$300 million over 15 years with five year reviews. The program is now nearing its end and is close to meeting its goal. The state is now considering incorporating stormwater and agriculture into the system. John mentioned that Missouri could make priority point system adjustments as a way to support trading here.

Requests were made for more details from the Susquehanna (PA) and Neuse (NC) programs at the next meeting.

Monitoring

Here are some potential considerations with respect to monitoring

- Point source (loadings)
- Trading activity (portfolio/ledger)
- Implementation monitoring
- WQ monitoring
- Modeling vs. monitoring
- Monitoring to determine credits for new practices (WQT program and state role?)
- Potential third party roles
 - Assessing and validating practices
 - Keeping a state-wide ledger
 - Providing WQ monitoring

Decisions:

Each program will have its unique monitoring network to match water quality and other variables within the trading area.

Most monitoring will fall to the point source(s) involved in trading with the DNR having an oversight role.

Modeling of agricultural non-point source water quality benefits through the Nutrient Tracking Tool is far more cost effective than attempting to monitor these practices. However, new practices may require monitoring to provide a good measure of their value.

The potential roles of third parties in monitoring are not defined at the state-wide level nor has any decision been made to restrict them.

Tracking and Enforcement

Some potential considerations for tracking and enforcement within trading programs

- WQT Program role (failed practices/trades, extreme events, reserve credits, recovery from events)
- Department – WPP role (Oversight of trading programs, credit accounting, point source activity, permit conditions)

[Note: No department role in most NPS project enforcement]

- SWCP/USDA – Maintain NTT and practice lists
Geographic tracking of NPS activity

Decisions:

As discussed in the previous meeting, the trading program operator (most likely an operator of a point source or group of point sources) must maintain enough credits to meet permit requirements.

The state has an oversight role through permit enforcement, but has no authority to enforce any non-point source activity.

Regulatory Instruments

- Privacy for individual NPS (agricultural) projects
[Aggregated data would be public]
- Enable department to act (role dependent)
- Resources and funding (role dependent)
- Overall program (market and transaction) structure

Decisions:

The department explained the rationale for the need for privacy for individual agricultural producers. Without privacy protection, the availability of agricultural participants would be greatly reduced.

Until more is determined, additional legislative and regulatory needs are hard to determine. Joe pointed out that additional resources will have to accompany additional responsibilities placed upon the department by trading.

Joe was asked to create a matrix showing potential roles as a way to review not only the department's responsibilities, but those of other parties involved in water quality trading as well.

Baselines and Practices

Trent Stober provided a brief overview of the point source discussions to date. He noted that they have addressed nearly all the topics that have been covered to date.

Closing

Two requests were made. Joe was asked to bring a summary of the decisions to date to the next meeting and to put together a matrix of roles and responsibilities to guide that discussion. Joe agreed to do the former and to attempt the latter, though the matrix may not be done in time for the next meeting.

Draft of the agenda for the next meeting:

1. Introductions
2. Review of Ground Rules

3. Group Goals Statement, Revised Proposed
4. Review of Notes from September 25, 2015 Meeting and October 23, 2015 Meetings
6. Trading Program Examples: Susquehanna and Neuse Rivers
7. Baselines and Eligibility of Practices, Point Sources Workgroup
8. Baselines and Eligibility of Practices, Nonpoint Source Workgroup
9. Report on the Decisions Related to the Missouri Nutrient Trading Program thus Far
10. Summary of Today's meeting
11. Future Meetings and Tentative Topics

- December 18, 2015 meeting cancelled

- January 22, 2016, location Lewis & Clark State Office Building, 1101 Riverside Dr., Jefferson City, Missouri

- Market structures and transaction mechanisms

- Role and responsibilities

- Incentive approach (Rewarding early implementation)

- February TBD

- Trading Ratios

- Role of Ecosystem Services in Crediting

- Adaptive Management

- March TBD

- Review of decisions

- Comments on partial first draft of framework

April TBD

- Discuss framework draft

June – Draft to public for comments

July – Public hearing at the Clean Water Commission meeting

October – Anticipated approval of framework by the Clean Water Commission